

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7139

BILL NUMBER: HB 1351

DATE PREPARED: Jan 5, 2002

BILL AMENDED:

SUBJECT: Assessment of construction in process.

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that the assessed value for property tax purposes of personal property *construction in process* is ten percent of cost.

Effective Date: January 1, 2002 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues: The State levies a small tax rate for State fair and State forestry. A \$2.8 B reduction in the assessed value base would reduce the property tax revenue for these two funds by about \$92,000 annually.

Explanation of Local Expenditures:

Explanation of Local Revenues: Under the former personal property assessment rules, *construction in process* (CIP) was assessed at 10% of cost through the March 1, 2001, assessment date. Under the new personal property assessment rules effective with the March 1, 2002, assessment date, CIP will be assessed at 87% of cost. This bill would set the assessment percentage of CIP back to 10% of cost.

According to data obtained from the Department of Local Government Finance, CIP at cost amounted to about \$3.64 B for the 1999 Pay 2000 tax year. The assessed value is \$364 M at 10% or \$3.16 B at 87%. If the level of CIP remains constant, this bill would result in an assessed value reduction of about \$2.80 B (\$3.16 B new assessment less \$364 M old assessment). This would translate into an estimated tax shift from the owners of CIP to all taxpayers in all classes of about \$53 M in CY 2003. The accompanying tax rate increase is estimated to be \$0.0184 per \$100 of assessed value.

Total local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative

funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

State Agencies Affected: Department of Local Government Finance (State Tax Board).

Local Agencies Affected: Local assessors.

Information Sources: Department of Local Government Finance.